

Exploratorium

Financial Report
June 30, 2021

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Exploratorium

Report on the Financial Statements

We have audited the accompanying financial statements of the Exploratorium, which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Exploratorium and its subsidiaries as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

San Jose, California
October 14, 2021

Exploratorium

Statements of Financial Position June 30, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents	\$ 5,937,479	\$ 1,420,067
Restricted cash (Note 9)	289,338	289,338
Contributions receivable, net (Notes 3 and 13)	15,546,401	16,038,746
Government receivables	5,686,243	692,877
Accounts receivable	2,810,909	1,280,690
Inventories	1,072,646	1,032,428
Other assets and prepaid expenses (Note 8)	3,116,608	3,211,125
Investments, at fair value (Note 5)	81,154,672	63,096,162
Exhibits, leasehold improvements and equipment (Note 4)	171,057,776	176,594,232
Construction in progress, exhibits	193,933	493,783
Deferred rent (Note 9)	9,304	633,862
Total assets	\$ 286,875,309	\$ 264,783,310
Liabilities and Net Assets		
Liabilities:		
Line of credit (Note 8)	\$ -	\$ -
Trade payables	866,270	596,835
Other accrued expenses	4,991,736	4,403,781
Deferred revenue	9,905,812	4,345,216
Term debt, net (Note 8)	44,906,951	46,591,184
Total liabilities	60,670,769	55,937,016
Commitments and contingencies (Notes 9, 10, 11 and 13)		
Net assets:		
Without donor restrictions	124,196,323	131,812,981
With donor restrictions (Note 6)	102,008,217	77,033,313
Total net assets	226,204,540	208,846,294
Total liabilities and net assets	\$ 286,875,309	\$ 264,783,310

See notes to financial statements.

Exploratorium

Statement of Activities Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:			
Private contributions	\$ 7,064,846	\$ 13,261,807	\$ 20,326,653
Government grants (Note 13)	8,279,365	-	8,279,365
Global Studios—domestic	2,215,271	-	2,215,271
Global Studios—foreign	7,055,975	-	7,055,975
Admissions	6,391	-	6,391
Rentals and other revenue	3,030,027	-	3,030,027
Store sales	175,317	-	175,317
Employee Retention Tax Credit contribution (Note 13)	3,981,063	-	3,981,063
Net assets released from restrictions	8,258,472	(8,258,472)	-
Total revenues and support	40,066,727	5,003,335	45,070,062
Operating expenses:			
Program services:			
Research, exhibits and public programs	24,821,579	-	25,318,987
Educator engagement	6,008,945	-	5,818,707
Global collaborations	7,181,065	-	6,964,251
Support services:			
General and administrative	6,124,806	-	5,998,154
Fundraising and membership	2,477,953	-	2,514,249
Total operating expenses	46,614,348	-	46,614,348
Change in net assets from operating activities	(6,547,621)	5,003,335	(1,544,286)
Nonoperating revenue:			
Private campaign contributions	-	125,124	125,124
Net assets released from restrictions	125,124	(125,124)	-
Total nonoperating revenues	125,124	-	125,124
Financing expense:			
Long term debt interest expense (Note 8)	1,809,316	-	1,809,316
Total nonoperating expenses	1,809,316	-	1,809,316
Investment activity:			
Investment return, net	615,155	19,971,569	20,586,724
Total investment activity	615,155	19,971,569	20,586,724
Change in net assets	(7,616,658)	24,974,904	17,358,246
Net assets, beginning of year	131,812,981	77,033,313	208,846,294
Net assets, end of year	\$ 124,196,323	\$ 102,008,217	\$ 226,204,540

See notes to financial statements.

Exploratorium

Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:			
Private contributions	\$ 6,837,626	\$ 11,933,270	\$ 18,770,896
Government grants	3,561,961	-	3,561,961
Global Studios—domestic	1,104,435	-	1,104,435
Global Studios—foreign	4,384,761	-	4,384,761
Admissions	5,807,475	-	5,807,475
Membership	1,545,415	-	1,545,415
Rentals and other revenue	7,754,680	-	7,754,680
Store sales	1,324,660	-	1,324,660
Paycheck Protection Program contribution	5,875,400	-	5,875,400
Net assets released from restrictions	7,410,533	(7,410,533)	-
Total revenues and support	45,606,946	4,522,737	50,129,683
Operating expenses:			
Program services:			
Research, exhibits and public programs	32,007,972	-	32,524,306
Educator engagement	8,311,791	-	8,105,157
Global collaborations	4,743,150	-	4,536,118
Support services:			
General and administrative	5,412,552	-	5,285,125
Fundraising and membership	2,856,526	-	2,881,285
Total operating expenses	53,331,991	-	53,331,991
Change in net assets from operating activities	(7,725,045)	4,522,737	(3,202,308)
Nonoperating revenue:			
Private campaign contributions	-	310,000	310,000
Net assets released from restrictions	310,000	(310,000)	-
Total nonoperating revenues	310,000	-	310,000
Financing expense:			
Long term debt interest expense (Note 8)	1,881,074	-	1,881,074
Total nonoperating expenses	1,881,074	-	1,881,074
Investment activity:			
Investment return, net	(901)	360,291	359,390
Total investment activity	(901)	360,291	359,390
Change in net assets	(9,297,020)	4,883,028	(4,413,992)
Net assets, beginning of year	141,110,001	72,150,285	213,260,286
Net assets, end of year	\$ 131,812,981	\$ 77,033,313	\$ 208,846,294

See notes to financial statements.

Exploratorium

Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	2021					
	Program Expenses					Total Expenses
	Research, Exhibits and Public Programs	Educator Engagement	Global Collaborations	General and Administrative	Institutional Advancement	Total Expenses
Compensation and benefits	\$ 12,127,018	\$ 4,559,901	\$ 5,536,465	\$ 3,584,657	\$ 2,177,168	\$ 27,985,210
Occupancy	2,091,390	44,973	89,814	596,210	22,487	2,844,873
Depreciation and amortization	5,772,304	1,487	127,608	447,075	31,902	6,380,376
Consulting and professional services	729,893	812,751	671,587	533,965	11,300	2,759,495
Production supplies	735,031	74,351	472,533	512,406	12,958	1,807,279
Other outside services, advertising, other	3,863,351	325,244	66,245	323,840	258,434	4,837,114
	25,318,987	5,818,707	6,964,251	5,998,154	2,514,249	46,614,348
Interest expense	995,124	235,211	434,236	126,652	18,093	1,809,316
	<u>\$ 26,314,111</u>	<u>\$ 6,053,918</u>	<u>\$ 7,398,487</u>	<u>\$ 6,124,806</u>	<u>\$ 2,532,342</u>	<u>\$ 48,423,664</u>
	2020					
	Program Expenses					Total Expenses
	Research, Exhibits and Public Programs	Educator Engagement	Global Collaborations	General and Administrative	Institutional Advancement	Total Expenses
Compensation and benefits	\$ 17,122,340	\$ 6,330,873	\$ 3,761,116	\$ 3,820,440	\$ 2,458,913	\$ 33,493,681
Occupancy	2,601,820	55,754	110,804	735,054	4,644	3,508,076
Depreciation and amortization	5,794,512	1,487	118,904	412,575	31,796	6,359,273
Consulting and professional services	725,562	652,548	323,564	15,726	3,228	1,720,629
Production supplies	884,101	123,722	186,336	301,330	11,380	1,506,870
Other outside services, advertising, other	5,395,971	940,773	35,394	-	371,325	6,743,463
	32,524,306	8,105,157	4,536,118	5,285,125	2,881,285	53,331,991
Interest expense	1,047,966	261,992	436,652	127,427	7,037	1,881,074
	<u>\$ 33,572,272</u>	<u>\$ 8,367,149</u>	<u>\$ 4,972,770</u>	<u>\$ 5,412,552</u>	<u>\$ 2,888,322</u>	<u>\$ 55,213,065</u>

See notes to financial statements.

Exploratorium

Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 17,358,246	\$ (4,413,992)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,380,376	6,359,273
Amortization of financing costs	46,399	46,399
Amortization of capitalized software costs	24,132	-
Change in allowance for uncollectible accounts	(1,000)	-
Change in discount on long-term contributions receivable	(386,301)	(544,912)
Net realized and unrealized (gains) losses on investments	(20,265,934)	412,580
Paycheck Protection Program contribution	-	(5,875,400)
Donated securities	(1,090,397)	(634,486)
Proceeds from sale of donated securities	1,090,397	634,486
Loss on disposal of property and equipment	151,087	-
Change in deferred rent	624,558	878,365
Changes in assets and liabilities:		
Contributions receivable	(1,320,354)	(1,138,842)
Government and other receivables	(6,523,585)	(213,731)
Inventories	(40,218)	(69,740)
Other assets and prepaid expenses	94,517	49,500
Trade payables and accrued expenses	857,390	(371,223)
Deferred revenue	5,560,596	2,196,011
Net cash provided by (used in) operating activities	2,559,910	(2,685,712)
Cash flows from investing activities :		
Capital expenditures	(719,290)	(2,229,166)
Proceeds from sales of investments	48,068,347	53,274,886
Purchases of investments	(45,860,923)	(55,452,202)
Net cash provided by (used in) investing activities	1,488,134	(4,406,482)
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in endowment and museum improvements	2,200,000	1,900,000
Net repayments on line of credit	-	(571,176)
Payments made on term loan	(1,730,632)	(1,670,149)
Proceeds received from Paycheck Protection Program contribution	-	5,875,400
Net cash provided by financing activities	469,368	5,534,075
Net increase (decrease) in cash and cash equivalents, and restricted cash	4,517,412	(1,558,120)
Cash and cash equivalents and restricted cash, beginning of year	1,709,405	3,267,525
Cash and cash equivalents, and restricted cash, end of year	\$ 6,226,817	\$ 1,709,405
At June 30, 2021 and 2020, the amounts included in cash and cash equivalents and restricted cash include the following:		
Cash and cash equivalents	\$ 5,937,479	\$ 1,420,067
Restricted cash	289,338	289,338
	\$ 6,226,817	\$ 1,709,405
Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	\$ 1,820,938	\$ 1,985,778

See notes to financial statements.

Exploratorium

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization: The Exploratorium, a California nonprofit organization, is a museum of science, art, and human perception located in San Francisco, California. The Exploratorium creates tools and experiences that help visitors to become active explorers. Some of the tools used include: hundreds of “explore-for-yourself” exhibits; a website with several thousand pages of content; film screenings; workshops for lifelong learners and family investigations; and evening art and science events for adults. Professional development programs have been and are being created for educators and are at the forefront of changing the way science is taught. Exhibits created and expertise learned are shared with museums worldwide.

The Exploratorium’s major programs are as follows:

Visitor Experience Channel: Consisting of our Public Space, Public Programs, Temporary Exhibitions, and all other types of programs, the Visitor Experience Channel at the Exploratorium is the museum where visitors of all ages, including school groups can ask questions, question answers and learn about the world around them by interacting with exhibits in a public laboratory exploring the world through science, art and human perception. We offer hands-on experiences; and encourage questions, explorations, and individual discovery, we’re transforming the way people learn. Learning this way empowers people to figure things out for themselves—about science, but also about any topic, claim, or idea.

Global Collaborations Channel: Through Global Collaborations, we share our deep knowledge of exhibit making, program creation, and professional development with partner organizations around the world, shaping and tailoring our approach and expertise to the needs and goals of other communities. We co-create programs, conduct research, and develop staff; we think across disciplines, collaborate, and prototype to generate exhibits and programs that adapt to the cultures of those communities

Educator Engagement: Through our Educator Engagement programs such as the Teacher Institute, Institute for Inquiry, and the Tinkering Studio we create inquiry-based experiences and tools that spark wonder. We offer professional development programs and workshops, in person and online to train teachers and teacher leaders and other informal educators in how to teach science and learning through inquiry. Whether inside the museum or on the other side of the planet, in school settings or out in the world, we offer a variety of resources—videos, classroom activities, tools, and workshops—that support better teaching and better learning.

A summary of the Exploratorium’s significant accounting policies is as follows:

Basis of presentation: The Exploratorium’s financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires that resources be classified for reporting purposes based upon the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions: Net assets without donor restrictions are not subject to donor-imposed restrictions and include the carrying value of all physical properties (leasehold improvements and furniture and equipment). Items that affect (i.e., increase or decrease) this net asset category include: revenue (principally fees for admission), membership and educational programs, and related expenses associated with the core activities of the Exploratorium. In addition to these exchange transactions, changes in this category of net assets include certain types of philanthropic support, namely, unrestricted contributions, as well as restricted contributions whose donor-imposed restrictions were met during the fiscal year.

Exploratorium

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

With donor restrictions: Net assets with donor restrictions represent contributions and other assets received from donors that are limited in use by the Exploratorium in accordance with donor-imposed stipulations. Items that affect this net asset category are restricted contributions, including unconditional pledges, and investment income with donor-imposed restrictions from endowments. These stipulations may expire with time or may be satisfied and removed by the actions of the Exploratorium according to the terms of the contribution. Upon satisfaction of such stipulations, net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions.

Also included in this category are net assets that represent unconditional promises to give by a donor that specifies that the assets donated be maintained permanently and be invested to provide a permanent source of income. Permanently restricted gifts (endowments) are managed according to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the state of California. If the donor does not restrict the allowed use of the income, the Exploratorium classifies income as net assets with donor restrictions until those amounts are appropriated for expenditure by the Exploratorium in a manner consistent with the standard of prudence prescribed by UPMIFA.

Cash and cash equivalents: Cash and cash equivalents represent cash and short-term investments with original maturities of 90 days or less at purchase.

Restricted cash: As of June 30, 2021 and 2020, restricted cash is held for amounts related to the ongoing maintenance of the substructure of Pier 15 and Pier 17, as further described in Note 9.

Accounts and government receivables - noncontribution: The Exploratorium evaluates the collectibility of its noncontribution receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. At June 30, 2021 and 2020, the Exploratorium has determined that all noncontribution receivables are fully collectible and therefore has not recorded an allowance for doubtful accounts.

Contributions receivable: As of June 30, 2021 and 2020, contributions receivable consist of grants and pledges from grant making foundations, government agencies or other donors. As further described in Note 3, these receivables are subject to discount. The Exploratorium has received intentions to give from its donor base, which do not constitute contributions in accordance with U.S. GAAP; and, therefore have not been recognized as revenue or receivables.

Inventories: Inventories, which consist mostly of items available for sale at the museum stores, are stated at the lower of cost (first-in, first-out basis) or net realizable value.

Exhibits, leasehold improvements and equipment: Upon determination that an exhibit is viable, the Exploratorium capitalizes the costs of construction, which generally includes materials and labor. Depreciation is provided on the straight-line method over an estimated useful life of five to ten years.

Equipment is recorded at cost or, if donated, at fair value on the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets, which range from three to ten years. Leasehold improvements have been amortized on the straight-line basis over the shorter of their useful lives or the remaining period of the original lease ranging from 10 to 64 years.

Exploratorium

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Fair value measurements: Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to the Exploratorium's assumptions (unobservable inputs). The Exploratorium groups assets and liabilities at fair value in three levels based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuations are based on quoted prices in active markets for identical assets or liabilities that the Exploratorium has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2: Valuations are not based on quoted prices for identical assets or liabilities, but rather are based on significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Fair values are primarily obtained from third-party pricing services for comparable assets or liabilities.

Level 3: Valuations are derived from other valuation methodologies and incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

For the fiscal year ended June 30, 2021, the application of valuation techniques applied to similar assets has been consistent. The Exploratorium assesses levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2021 and 2020, there were no such instances.

The fair value of money market funds is based on quoted market prices. Investments in equity instruments traded on national securities exchanges are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments in alternative investment funds are valued at fair value based on the applicable ownership of the funds' net asset value (NAV) or equivalent as of the measurement date as a practical expedient, as determined by the Exploratorium, in instances where there is not a readily determinable fair value. In determining fair value, the Exploratorium utilizes valuations provided by the investment funds. The investment funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the investment funds, which in turn is based on the most recent information available to the fund manager for the underlying investments, including the audited financial statements of the underlying funds, and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Exploratorium's investments in funds generally represents the amount the Exploratorium would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply.

Exploratorium

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Exploratorium reviews its investments to identify those for which market value is below cost. The Exploratorium then makes a determination as to whether an investment should be considered other-than-temporarily impaired based on guidelines established by the Financial Accounting Standards Board (FASB). There were no other-than-temporary losses recognized during the years ended June 30, 2021 and 2020. If there were losses, these would have been treated as realized losses on the statements of activities.

The Exploratorium has various processes and controls in place to ensure fair value is reasonably stated. While the Exploratorium believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Investments: Investments are stated at fair value and are recorded on the trade or contract date. The fair value of investments is based on quoted market prices, except for alternative investments for which quoted market prices are not available. The fair value of alternative investments consisting of hedge funds, fixed income and private equity investment partnerships (collectively, the funds) is based on the applicable ownership of the funds' net assets or equivalent as of the measurement date, as determined by the Exploratorium. The difference between cost and fair value of investments is reflected as unrealized appreciation (depreciation) on investments, and any change in that amount from the prior year is reported as a component of investment return on the statements of activities.

Deferred rent: As further described in Note 9, the Exploratorium recognizes rent expense on the straight-line method over the term of its lease with the Port of San Francisco. In addition to the monthly lease payments, the Exploratorium is obligated under the lease agreement to pay for certain costs associated with the lease. These costs have been considered minimum lease payments and, as a result, have been included in the straight-line rent computation.

The Exploratorium uses the same methodology for its sublease on Pier 17. Rental revenue has been recognized on the straight-line basis over the term of the sublease. Initial direct costs of approximately \$750,000 associated with the sublease have been included in the straight-line rent computation. Deferred rent from the above lease with the Port of San Francisco, along with this sublease, have been combined in the deferred rent line item on the statements of financial position.

Contributions: Contributions are recognized at fair value as revenue when received or unconditionally promised. An additional discount is added to the present value of contributions, which represents an additional factor in the fair value measurements and are based on management's estimates. The discounts on those pledges are computed using an interest rate for the year in which the promise was received and considers market and credit risk as applicable. Amortization of the discount is included in contributed income. Gifts of cash and other assets are reported as restricted support if received with donor stipulations that limit the use, either for time and/or purpose, of the donated assets. Donor-restricted contributions, whose restrictions are met in the same reporting period as the contribution is recorded, are reported contributions with donor restrictions with a corresponding release of restrictions. Conditional promises to give are not recognized as revenue until the donor conditions are substantially met. The Exploratorium also receives corporate sponsorships, where revenue is recognized as both an exchange transaction and a contribution. In these cases, the Exploratorium determines the value or benefit the sponsor is receiving, and records that portion to earned revenue, with the remaining portion recorded as a contribution. If multiple deliverables span a period of years, then portions of the exchange transaction could be recorded as deferred revenue until the benefit takes place.

Exploratorium

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Exploratorium has been conducting a multi-year, multipurpose capital campaign (the Campaign) for the purpose of the construction of its site located on the San Francisco Waterfront (i.e., the San Francisco Historic Port District) (see Note 9). The Campaign has been designed not only to encompass the renovation and construction of the new facility, but also the design and creation of the exhibits housed at the facility, new program content and an increase in the Exploratorium's endowment. Campaign contributions without a specific purpose restriction are expendable on both capitalizable and noncapitalizable expenditures, including debt repayment.

Pursuant to Board of Trustees policy, contributions received from donors through the Campaign are released once costs are incurred; however, to the extent costs are capitalized as either construction in progress (leasehold improvements) or exhibit costs in progress, such donations are maintained in net assets with donor restrictions through the completion of the construction phase. The Exploratorium has ongoing exhibit construction as a regular part of its activities. Contributions receivable from the Campaign were released once the new facility was placed into service.

Revenue recognition: The museum recognizes revenue in accordance with FASB Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Exploratorium recognizes revenues from store sales at a point in time upon sale of the merchandise.

Admission revenues are recognized at a point in time upon sale of admission tickets unless purchased in advance of use, in which case revenue is deferred until use.

Membership revenues are considered to be part contribution without donor restriction and part exchange transaction. The contribution element is recorded in the period received. The exchange element is recorded as deferred revenue when received and recognized as membership revenue over time ratably during the duration of the membership period. Any additional benefits of museum memberships (such as store discounts) are considered immaterial and are not separated out from museum membership revenue.

Exploratorium

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue from Global Collaborations contracts is for complex integrated and related services and the Exploratorium evaluates whether a contract should be accounted for as more than one performance obligation. This evaluation requires judgment and the decision to combine a group of phases within a contract into a single performance obligation could change the amount of revenue recorded in a given period. For all of these types of contracts, the customer, often other foreign or domestic nonprofit organizations, contracts with the Exploratorium to provide a significant service of integrating a complex set of tasks and phases such as consulting, design, and fabrication into a single project or capability (even if that single project results in the delivery of multiple units). Hence, the entire contract is accounted for as one performance obligation. Revenue is recognized based upon the cost input method over a period of time. Payments received in advance of the Exploratorium satisfying its performance obligations, typically according to defined payment schedules included within the contract, are contract liabilities and are recorded as deferred revenue. As of June 30, 2021 and 2020, contract liabilities of \$7,743,259 and \$2,720,117, respectively, are recorded as deferred revenue on the statements of financial position related to Global Collaborations contracts. These contracts often include an assurance-type warranty provision, and these warranties are accounted for outside of ASC 606.

Government grants are analyzed to determine if they represent an exchange transaction or a contribution. Grants determined to represent exchange transactions are recognized as the related services are provided. Payments under such transactions are generally received on a cost-reimbursement basis. Grants determined to represent contributions are accounted for as contributions as discussed previously in this note.

For the years ended June 30, 2021 and 2020, \$9,271,246 and \$14,789,291 of revenue was recognized from revenue streams where recognition occurs over time and \$3,211,735 and \$7,132,135, respectively, was recognized from revenue streams at a point in time.

Deferred revenue: Deferred revenue consists of annual or multi-year memberships, sponsorships, rental revenue, sublease space rental and global collaborations.

As noted above, membership revenue is deferred and recognized over the duration of the membership period. To the extent that sponsorships contain earned revenue components as a result of specific events, etc., those are deferred until the events take place or the benefits are no longer available to the sponsor. Rental revenue that is paid in advance is considered deferred until it becomes earned.

Contribution of services: The Exploratorium has a substantial number of unpaid volunteers performing various functions who contributed over 1,281 hours (unaudited) and 9,531 hours (unaudited) for the years ended June 30, 2021 and 2020, respectively. The value of this contributed time is not reflected in the financial statements as it does not meet the criteria for recognition. The Exploratorium also evaluates and records in-kind gifts of professional services as necessary.

Income tax status: The Exploratorium has received rulings from the Internal Revenue Service (IRS) and the California Franchise Tax Board granting it exemption from income taxes.

The Exploratorium files exempt organization returns and, if applicable, unrelated business income tax returns in the U.S. and California jurisdictions. The Exploratorium's tax returns for the years ended June 30, 2017, 2018, 2019 and 2020 are open for potential IRS/California Franchise Tax Board examination. The subsidiaries are required to file corporate or partnership tax returns in the U.S. federal and California jurisdictions. To date, the Exploratorium has not been notified by either taxing authority of any pending examination.

Exploratorium

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Exploratorium follows the provisions of ASC 740-10, Income Taxes, relating to accounting for uncertain tax positions. Management evaluated the Exploratorium's tax positions and concluded that there were no material uncertainties in income taxes as of June 30, 2021 and 2020. With few exceptions, the Exploratorium is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years before June 30, 2017.

Functional expense allocations: The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of activities and statements of functional expenses. Expenses that apply to more than one functional category have been allocated between program services and support services based on the time spent on these functions by specific employees as estimated by management. Cost allocations are performed for certain cost categories such as interest and accumulated depreciation, based upon administrative vs. program square footage use of the facility. Indirect expenses are allocated based on the overall number of staff in the various functional categories. Certain marketing material costs are allocated based on the percentage of the publication devoted to each functional area. All other costs are charged directly to the appropriate functional category.

Long-lived assets: The Exploratorium regularly evaluates whether circumstances have occurred that would indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. When factors indicate that such assets should be evaluated for possible impairment, the Exploratorium uses an estimate of the undiscounted cash flows over the remaining life of the assets in measuring whether the assets are recoverable. In the opinion of management, no impairment adjustments were required at June 30, 2021 and 2020, and for the years then ended.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of risk: The Exploratorium recognizes there are inherent risks associated with publicly and nonpublicly traded securities. Risk is managed through rigorous evaluation before an investment is made, quarterly monitoring of valuations and regular communication with investment managers. To address market risk of investments, the Exploratorium maintains a formal investment policy that sets out performance criteria and investment guidelines, and requires review of the investment managers' performances. Investments are managed by investment managers, who have responsibility for investing the funds in various investment alternatives.

The Exploratorium does transact some activities with organizations located outside the United States. For the years ended June 30, 2021 and 2020, revenues from such activities amounted to \$7,055,975 and \$4,384,761, respectively, which is recorded in Global Collaborations—foreign on the statements of activities.

In the regular course of business, the Exploratorium may maintain operating cash balances at a bank in excess of federally insured limits. Management does not believe it is exposed to any significant credit risk on uninsured amounts.

Exploratorium

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Reclassifications: Certain fiscal year 2020 balances on the statements of functional expenses have been reclassified to conform with the fiscal year 2021 presentation. These reclassifications have no effect on the Exploratorium's change in net assets or financial position as previously reported. The change resulted in collectively \$308,911 of additional costs being allocated to the program categories, \$76,255 of additional costs being allocated to the general and administrative category, and \$385,166 of costs being allocated from the institutional advancement category.

Issued and adopted accounting pronouncement: In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The guidance in this ASU amends the fair value disclosure requirements in ASC 820. Under the guidance, certain required disclosures regarding the fair value of the Exploratorium's investments would be modified or eliminated. The Exploratorium adopted ASU 2018-13 as of the fiscal year ended June 30, 2021. The adoption of ASU 2018-13 did not have a material impact on its financial statements.

Issued but not adopted accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition on the statements of activities. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, and ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, that amend certain aspects of ASC Topic 842. In June 2020, the FASB issued ASU 2020-5 which delays the effective date of adopting Topic 842. ASU 2016-02, 2018-10, 2018-11 and 2020-5 are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Exploratorium believes this will have a significant impact on the statements of financial position once adopted.

Exploratorium

Notes to Financial Statements

Note 2. Liquidity and Availability

The following represents the Exploratorium's financial assets available for general expenditure within one year as of June 30:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 5,937,479	\$ 1,420,067
Restricted cash	289,338	289,338
Contributions receivable, net	15,546,401	16,038,746
Government receivables	5,686,243	692,877
Accounts receivable	2,810,909	1,280,690
Investments	81,154,672	63,096,162
Total financial assets	<u>111,425,042</u>	<u>82,817,880</u>
Less amounts not available to be used within one year:		
Cash designated for debt service	(467,060)	(2,007,008)
Restricted cash	(289,338)	(289,338)
Contributions receivable, net, to be collected in over a year	(7,440,000)	(10,275,000)
Investments restricted for endowment	(78,444,840)	(58,854,162)
Financial assets not available to be used within one year	<u>(86,641,238)</u>	<u>(71,425,508)</u>
Financial assets available for general expenditure within one year	<u>\$ 24,783,804</u>	<u>\$ 11,392,372</u>

The Exploratorium has certain board-designated and donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year. The Exploratorium has other assets limited to use for donor-restricted purposes, debt service, and other board-designated assets designated for future use. These assets are limited to use, and are more fully described in Notes 1 and 7. Accordingly, these assets have been excluded from the financial assets available for general expenditures within one year shown above as they are not available for general expenditure within one year. However, the board-designated amounts could be made available if necessary.

The Exploratorium also maintains a \$6.5 million revolving line of credit as discussed in more detail in Note 8. As of both June 30, 2021 and 2020, \$6.5 million remained available on the Exploratorium's revolving line of credit.

Note 3. Contributions Receivable

Contributions receivable represent unconditional promises to give by donors. Contributions that are expected to be collected after one year have been discounted at rates between 0.07% and 4.00% as of June 30, 2021 and 2020, and are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free rates applicable to the number of years the contribution is expected to remain outstanding.

Exploratorium

Notes to Financial Statements

Note 3. Contributions Receivable (Continued)

Contributions receivable are due as follows as of June 30:

	2021	2020
Contributions receivable (other than Capital Campaign):		
Less than one year	\$ 6,428,876	\$ 4,311,154
One to five years	3,240,000	3,975,000
Discount on receivables due in more than one year	(42,051)	(104,448)
Allowance for uncollectible contributions	(2,000)	(2,000)
	<u>9,624,825</u>	<u>8,179,706</u>
Contributions receivable (Capital Campaign):		
Less than one year	2,029,602	2,129,572
One to five years	4,200,000	6,300,000
Discount on receivables due in more than one year	(307,026)	(568,532)
Allowance for uncollectible contributions	(1,000)	(2,000)
	<u>5,921,576</u>	<u>7,859,040</u>
Total	<u>\$ 15,546,401</u>	<u>\$ 16,038,746</u>

As of June 30, 2021 and 2020, contributions receivable from one donor represented 41% and 54%, respectively, of the total contributions receivable amount.

The Exploratorium has received notification from various donors or agencies regarding their intention to give gifts or grants to the Exploratorium upon certain conditions being met, such as the obligation to raise matching gift amounts. As of June 30, 2021 and 2020, these amounts total \$15,708,898 and \$10,342,770, respectively, and have not been recognized within the financial statements due to the conditions not being met at this time. Such amounts will be recorded as revenue when the relevant conditions have been met.

Note 4. Exhibits, Leasehold Improvements and Equipment

	2021	2020
Leasehold improvements, exhibits and equipment at cost	\$ 38,097,899	\$ 37,229,847
Less accumulated depreciation	(29,492,478)	(26,443,952)
	<u>8,605,421</u>	<u>10,785,895</u>
Leasehold improvements—Piers	190,609,971	190,609,971
Less accumulated depreciation	(28,157,616)	(24,801,634)
	<u>162,452,355</u>	<u>165,808,337</u>
Total	<u>\$171,057,776</u>	<u>\$176,594,232</u>

Depreciation and amortization expense for exhibits, leasehold improvements and equipment was \$6,380,376 and \$6,359,273 for the years ended June 30, 2021 and 2020, respectively.

Exploratorium

Notes to Financial Statements

Note 5. Fair Value Measurement and Investment

A summary of the Exploratorium's investments measured at fair value on a recurring basis at June 30, and set forth by level within the fair value hierarchy, is as follows:

Description	2021			Total
	Level 1	Level 2	Level 3	
Money market fund	\$ 821,714	\$ -	\$ -	\$ 821,714
Fixed-income securities:				
Domestic	4,460,122	-	-	4,460,122
Equities:				
Domestic	27,690,420	-	-	27,690,420
International	23,257,378	-	-	23,257,378
	56,229,634	-	-	56,229,634
Investments measured at NAV	-	-	-	24,925,038
	<u>\$ 56,229,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,154,672</u>

Description	2020			Total
	Level 1	Level 2	Level 3	
Money market fund	\$ 1,684,043	\$ -	\$ -	\$ 1,684,043
Fixed-income securities:				
Domestic	6,026,610	-	-	6,026,610
Equities:				
Domestic	22,819,165	-	-	22,819,165
International	17,811,220	-	-	17,811,220
	48,341,038	-	-	48,341,038
Investments measured at NAV	-	-	-	14,755,124
	<u>\$ 48,341,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,096,162</u>

The Exploratorium's fixed-income and equity investments are composed of investments into mutual funds and exchange traded funds that each have a specific investment strategy and achieve their investment objective through investing into a variety of securities, including government issued bonds, corporate issued debt, domestic corporate equity securities and foreign corporate equity securities.

Exploratorium

Notes to Financial Statements

Note 5. Fair Value Measurement and Investment (Continued)

Additional information related to the alternative investments as of June 30 is as follows:

	2021			Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	Fair Value	Total Commitments	Unfunded Commitments		
Private credit	\$ 143,167	N/A	N/A	Quarterly	65 days' notice ¹
Private equity	7,511,610	\$ 9,250,000	\$ 3,675,064	N/A	Upon Termination ¹
Private equity	1,484,745	5,000,000	3,825,000	N/A	Upon Termination ¹
Private credit	5,467,581	6,250,000	934,192	N/A	Upon Termination ¹
Global fixed income	4,060,663	N/A	N/A	Daily	1 day's notice
Global equity	4,857,272	N/A	N/A	Semi-Monthly	5 days' notice
Private credit	1,400,000	8,000,000	6,600,000	N/A	Upon Termination ¹
	<u>\$ 24,925,038</u>	<u>\$ 28,500,000</u>	<u>\$ 15,034,256</u>		

	2020			Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	Fair Value	Total Commitments	Unfunded Commitments		
Private credit	\$ 141,497	N/A	N/A	Quarterly	65 days' notice ¹
Private equity	1,685,067	\$ 9,250,000	\$ 7,407,396	N/A	Upon Termination ¹
Hedge fund	4,227,845	N/A	N/A	Monthly	3 days' notice ³
Private credit	2,254,315	6,250,000	3,965,442	N/A	Upon Termination ¹
Global fixed income	3,839,100	N/A	N/A	Daily	1 day's notice
Global equity	2,607,300	N/A	N/A	Semi-Monthly	5 days' notice
	<u>\$ 14,755,124</u>	<u>\$ 15,500,000</u>	<u>\$ 11,372,838</u>		

(1) These funds are closed ended and do not allow for withdraws or redemptions. Distributions will be received as the funds terminate.

Note 6. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of June 30:

	2021	2020
Program restrictions (purpose and time restrictions)	\$ 21,752,267	\$ 13,152,822
Exhibits and furniture site (time restrictions)	57,526	215,265
Unappropriated endowment earnings	19,850,382	3,341,813
Total net assets with donor restrictions not generating earnings	<u>\$ 41,660,175</u>	<u>\$ 16,709,900</u>

Exploratorium

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions (Continued)

	2021	2020
Permanently restricted net assets generating purpose-restricted investment earnings	\$ 58,112,270	\$ 58,493,641
Permanently restricted net assets generating earnings with no purpose restriction	2,235,772	1,829,772
Total net assets with donor restrictions generating earnings	<u>\$ 60,348,042</u>	<u>\$ 60,323,413</u>
	2021	2020
Total net assets with donor restrictions not generating earnings	\$ 41,660,175	\$ 16,709,900
Total net assets with donor restrictions generating earnings	60,348,042	60,323,413
Total net assets with donor restrictions	<u>\$ 102,008,217</u>	<u>\$ 77,033,313</u>

Program and purpose restrictions primarily consist of gifts that are restricted for education and programs such as the Teacher's Institute, and Tinkering Studio and the Arts, among others.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restriction or by the passage of time during the years ended June 30:

	2021	2020
Campaign operating initiatives (time and purpose restrictions)	\$ 125,124	\$ 100,000
Capital campaign initiatives (purpose restrictions)	-	210,000
Program restrictions (time and purpose restrictions)	8,258,472	7,410,533
Total net assets released from donor restrictions	<u>\$ 8,383,596</u>	<u>\$ 7,720,533</u>

Note 7. Endowment

California enacted UPMIFA effective January 1, 2009. As a result, the Exploratorium reviewed all relevant gift instruments and its organizing documents to determine if it had funds with donor-imposed restrictions that are subject to the state-enacted version of UPMIFA. The Exploratorium continues to review all new gift instruments in relationship to the enacted law.

Interpretation of relevant law: The Board of Trustees, with the advice of legal counsel, has determined it holds net assets that meet the definition of endowment funds under UPMIFA. As a result of this interpretation, the corpus of funds subject to UPMIFA is classified as net assets with donor restrictions. The corpus represents the fair value of the original gifts as of the gift date and all subsequent gifts where the donor has indicated the gift be retained permanently. The assets with a value greater than or less than the original gifts in donor endowment funds are classified as net assets with donor restrictions until appropriated for expenditure by the Exploratorium.

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the original corpus. At June 30, 2021, the Exploratorium did not have any endowments with such deficiencies. At June 30, 2020, the Exploratorium had four endowment funds with deficiencies of this nature totaling \$46,698. These underwater funds had fair values of \$653,302, with original gifts of \$700,000. These deficiencies were reflected in net assets with donor restrictions in 2020.

Exploratorium

Notes to Financial Statements

Note 7. Endowment (Continued)

In accordance with UPMIFA, the Exploratorium considers the following factors in making a determination as to the appropriation of assets for expenditure: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the Exploratorium.

Investment and spending policies: The Exploratorium has adopted investment and spending policies for endowed assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowed assets. The investment and spending policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

To accomplish the long-term rate of return objectives, the Exploratorium relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Exploratorium targets a diversified asset allocation with an emphasis on equity-based investments within prudent risk parameters.

The spending policy determines the amount of money to be distributed annually from the Exploratorium's various endowed funds for operational support. The Exploratorium adopted a spending policy to address underwater funds, defined as those funds with balances below historic gift value. The original gift balance, as measured on a gift-by-gift basis within the fund, shall remain intact unless otherwise specified by the donor. The spending rate in the current year is calculated based upon 80% of the previous year's spend, adjusted for inflation, plus 20% of the market value of the portfolio multiplied by a rate of 4.5%, adhering to the Tobin Rule, as approved by the Board of Trustees. The total amounts that were appropriated from donor-restricted endowments and spent in fiscal years 2021 and 2020 were \$3,463,000 and \$1,691,000, respectively. Appropriations from the endowments that have donor restrictions are included in net assets released from restrictions on the statements of activities and in Note 6. The total amounts that were appropriated from quasi endowments in fiscal years 2021 and 2020 were \$159,000 and \$82,000, respectively.

The Exploratorium's endowment net assets changed for the years ended June 30 as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ 2,159,891	\$ 63,636,272	\$ 65,796,163
Investment return:			
Investment income	13,007	401,569	414,576
Net gains	695,934	19,570,001	20,265,935
Appropriations	(159,000)	(3,463,000)	(3,622,000)
Additions	-	-	-
Endowment net assets, June 30, 2021	<u>\$ 2,709,832</u>	<u>\$ 80,144,841</u>	<u>\$ 82,854,673</u>

Exploratorium

Notes to Financial Statements

Note 7. Endowment (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	\$ 2,226,706	\$ 63,225,216	\$ 65,451,922
Investment return:			
Investment income	26,738	761,317	788,055
Net loss	(11,554)	(401,026)	(412,580)
Appropriations	(82,000)	(1,691,000)	(1,773,000)
Additions	-	1,741,766	1,741,766
Endowment net assets, June 30, 2020	<u>\$ 2,159,891</u>	<u>\$ 63,636,272</u>	<u>\$ 65,796,163</u>

Note 8. Debt Obligations

Long-term debt: Effective August 31, 2018, the Exploratorium refinanced its long-term debt through the issuance of a tax-exempt bond of \$49.2 million. The new financing includes semi-annual interest payments and annual principal payments. The loan is a 10-year loan with a fixed interest rate of 3.87% for the first seven years and then a variable interest rate for the remaining three years, with a 20-year amortization period. The debt facility has financial and nonfinancial covenants due quarterly and annually.

As a part of the refinance, the Exploratorium received a new guarantee from a large private foundation. As a result of this guarantee, the Exploratorium recorded a restricted contribution in the amount of \$2,476,772 in fiscal year 2019 and has cumulatively recognized \$701,752 of that as contribution revenue through the year ended June 30, 2021. The contribution revenue associated with this amortization recorded for both the years ended June 30, 2021 and 2020, was \$247,677. The remainder of the guarantee will be recognized of the term of the 10-year loan. The remaining guarantee balances of \$1,775,020 and \$2,022,747 as of June 30, 2021 and 2020, respectively, are included within other assets on the statements of financial position.

As of June 30, 2021 and 2020, the amount outstanding against this facility was \$45,239,477 and \$46,970,109, respectively. Total interest on this loan was \$1,809,316 and \$1,881,074 during the years ended June 30, 2021 and 2020, respectively. Under the terms of this facility, the Exploratorium is not allowed to borrow additional funding after principal payments are made.

Breakdown of the tax-exempt bonds as shown on the statements of financial position is as follows:

	2021	2020
Long-term debt	\$ 45,239,477	\$ 46,970,109
Less deferred financing fees	(332,526)	(378,925)
	<u>\$ 44,906,951</u>	<u>\$ 46,591,184</u>

Exploratorium

Notes to Financial Statements

Note 8. Debt Obligations (Continued)

Future principal payments due under the tax-exempt bond are as follows:

Years ending June 30:	
2022	\$ 1,803,587
2023	1,874,355
2024	1,947,900
2025	2,020,073
2026	2,103,594
Thereafter	35,489,968
	<u>\$ 45,239,477</u>

Line of credit: Effective November 19, 2013, the Exploratorium entered into a revolving line of credit debt facility of \$5 million, which was subsequently amended in a prior period to have a maximum borrowing capacity of \$6.5 million. The Exploratorium again renewed this revolving line of credit agreement at \$6.5 million effective January 17, 2021, and extended the agreement's expiration date an additional two years to January 17, 2023. Interest is currently payable at a variable rate equal to LIBOR plus 325 basis points and due monthly. As of June 30, 2021 and 2020, the Exploratorium had no outstanding borrowings against this facility.

Note 9. Lease Commitments

Effective November 3, 2010, the Exploratorium entered into a 66-year lease with the City and County of San Francisco operating by and through the San Francisco Port Commission (the Port). The lease provides for the Exploratorium to lease Pier 15 and a portion of Pier 17, both located in the Historic Port District of the Port of San Francisco. The Exploratorium moved both the museum and corporate offices to the Piers in early 2013 upon completion of the renovations. Key provisions of the lease are as follows:

Pier 15:

Initial minimum monthly rent: \$66,107. Upon Bay Delta (a tenant of the Port) (see Note 11) relocating from Pier 15 to Pier 17, the monthly rent increased to \$78,805. Bay Delta relocated on May 1, 2011.

Rent escalation: The monthly minimum lease payment is subject to consumer price index (CPI) increases every fifth year beginning on the fifth anniversary of the lease commencement. The minimum CPI increase is 10%, with a maximum of 20%.

Rent incentives: In consideration of the tenant improvements to be constructed by the Exploratorium, the Port is providing the Exploratorium rent incentives equal to the minimum monthly rent from lease commencement through the 50th anniversary of the lease.

Percentage rent: The Exploratorium is obligated to pay a monthly percentage rent (6%) based on gross revenues generated on Pier 15 once museum operations commence. If the total computed percentage rent on a quarterly basis exceeds the minimum monthly rent computed before the application of the rent incentives, the Exploratorium will be obligated to pay the Port the differential. For the years ended June 30, 2021 and 2020, the Exploratorium was not obligated for any percentage rent.

Exploratorium

Notes to Financial Statements

Note 9. Lease Commitments (Continued)

Pier 17:

Initial minimum monthly rent: \$66,961. Such initial minimum monthly rent was reduced to \$42,032 for the first six months of the lease.

Rent escalation: The monthly minimum lease payment is subject to a CPI increase of 3% each year, effective January 1, 2012, until the application of the rent incentive applicable for Pier 17, on or about January 2024. Upon entering the rent incentive period, the minimum lease payments will increase by the existing CPI every fifth anniversary. The increase will be no less than 10% and no more than 20%. Pier 17 rent increases are also subject to a prevailing rental clause.

Rent incentive: In consideration for tenant improvements, which may be made to Pier 17 by the Exploratorium, the Port will provide the Exploratorium a rent incentive to be negotiated prior to the beginning of Pier 17 improvements.

Percentage rent: The Exploratorium will be obligated to pay percentage rent on certain revenues generated on Pier 17 and then, if the Exploratorium expands the museum to Pier 17, on all revenues. Payment provisions are and will be similar to Pier 15. For the years ended June 30, 2021 and 2020, the Exploratorium was not obligated for any percentage rent.

General provisions: The Exploratorium is obligated to pay the Port's "transaction costs" directly associated with the lease. Such payments are due quarterly in advance. The transaction costs, estimated to be approximately \$1.5 million, were substantially paid by June 30, 2013, and have been included in minimum rent for purposes of the deferred rent computation.

The Exploratorium, at its sole expense, was obligated to improve a portion of Pier 17 to allow Bay Delta to relocate its maritime facility from Pier 15 to Pier 17. Substantially all of these improvements, which totaled approximately \$7.9 million, were incurred by June 30, 2011, and have been included in minimum rent for purposes of computation of deferred rent.

The Exploratorium, at its sole expense, did construct the Dock for the exclusive use of the Port. The Exploratorium estimated the Dock to cost \$700,000 to construct. Since the Exploratorium is obligated under the lease to incur this expense, the construction costs have been included in minimum rent for purposes of computation of deferred rent. The Exploratorium completed the construction of the Dock in fiscal year 2016.

The Exploratorium is potentially obligated to pay, and is required to segregate in a separate account, \$50,000 annually on the second through fifth anniversaries of the lease for a substructure reserve. On the sixth anniversary of the lease and every fifth year thereafter, the Exploratorium is to increase the balance in the account to an amount based on the most recent substructure condition report. Interest on the fund shall accrue to the reserve account. The funds reserved are to be used only for the maintenance, repair and replacement of the substructure, if necessary. As of both June 30, 2021 and 2020, this reserve totaled \$289,338.

The Port leased the Piers to the Exploratorium on an "as is" basis. The cost of any hazardous waste cleanup was the sole expense of the Exploratorium. The Exploratorium, as part of construction, removed all the hazardous waste as required by the lease and current law. Since completion of this project, there have been no hazardous waste costs to date, and management does not anticipate any more significant costs.

Exploratorium

Notes to Financial Statements

Note 9. Lease Commitments (Continued)

The lease calls for the Exploratorium to expand the museum's footprint to encompass substantially all of Pier 17 under the Phase II construction section of the lease. In order to accomplish this expansion, three events must occur:

1. Bay Delta must vacate the space it currently leases at Pier 17 directly from the Port.
2. The Port Commission must determine that the portion of Pier 17 currently occupied by Bay Delta is no longer needed for maritime use. This determination cannot occur until a maritime use study has been conducted after Bay Delta has vacated the space.
3. The Exploratorium must start construction on the planned Pier 17 renovations by the 16th anniversary of the lease (November 2026).

It is the Exploratorium's intention to expand to Pier 17, even if Bay Delta does not vacate their current space. The Exploratorium may still renovate and expand the museum's footprint to the rest of Pier 17 not currently occupied by Bay Delta, assuming item three is achieved.

Future minimum commitments under this agreement are as follows:

Years ending June 30:	
2022	\$ 2,323,893
2023	2,359,282
2024	2,395,733
2025	2,433,278
2026	2,548,232
2027-2077	<u>103,399,586</u>
	115,460,004
Less sublease revenue	<u>(8,356,875)</u>
	<u><u>\$107,103,129</u></u>

The above lease schedule includes the future minimum rents for Pier 17 only through the 17th anniversary of the lease. While it is the intention of the Exploratorium to expand to the portion of Pier 17 to which it is allowed (see above), the possibility does exist that the lease for substantially all of Pier 17 could terminate in either 2026 or 2027.

As described in Note 1, the Exploratorium recognizes both lease expense and rent incentives on the straight-line method over the term of the lease. As a result, \$9,304 and \$633,862 have been recognized as deferred rent assets as a result of the Port lease on the statements of financial position as of June 30, 2021 and 2020, respectively. Total lease expense, associated with the Port lease, amounted to approximately \$1.9 million for both of the years ended June 30, 2021 and 2020. These amounts are net of approximately \$1.2 million for each of the years ended June 30, 2021 and 2020, in recognized rent incentives provided by the Port through the rent credit clause of the lease.

Exploratorium

Notes to Financial Statements

Note 9. Lease Commitments (Continued)

The Exploratorium currently has one subtenant resident to Pier 17. The lease was originally entered into on July 1, 2014, and expired June 30, 2024. However, in January 1, 2021, an amendment to the lease extended the lease to June 30, 2026. An important provision of this sublease is as follows:

- Approximately \$173,000 in initial direct costs have been included in the deferred rent calculation, the result of which creates an additional deferred rent asset of \$100,695 that has been combined with the deferred rent asset created under the Port lease (as noted above) on the statements of financial position.

Note 10. Contingencies and Management's Plans

Contingencies: The Exploratorium receives funds from and administers to various federal and state government-funded programs that are subject to audit by the cognizant governmental agencies. Some of these grants also contain provisions that subject certain assets purchased with governmental funds to be subject to reversion. To date, the Exploratorium has not been required to either refund any grant funding or return any assets purchased with government funding.

COVID-19 and management's plan: On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Exploratorium operates. The Exploratorium closed to the public on March 12, 2020, for an extended amount of time, and further required closures could have negative impact on the museum's operations.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. The Exploratorium applied for and received a Paycheck Protection Program (PPP) loan under this program (see Note 13). The Exploratorium also applied for and received a Shuttered Venue Operators Grant (SVOG) and was also able to apply certain federal tax credits. See Note 13 for further discussion.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Exploratorium. The impact of this on the Exploratorium, its customers, grantors, funding sources, and other constituents cannot be determined at this time. These impacts may include, but are not limited to, the ability lenders, investors, grantors or grantees in any of the sectors in which the Exploratorium operates to honor their commitments. Depending on how long COVID-19 concerns last, the Exploratorium could see in the future increased delinquencies and decreased funding, which could have negative implications over net income, but does not expect to. Prolonged closure of the museum could have a significant impact on the Exploratorium, including decreases to key revenue streams, including attendance, memberships, rental events and retail store sales.

Additionally, it is reasonably possible that estimates, and the investment valuations made in the financial statements may materially differ in the near term as a result of these conditions.

Exploratorium

Notes to Financial Statements

Note 10. Contingencies and Management's Plans (Continued)

Management evaluated the significance of these conditions in relation to the Exploratorium's ability to meet its obligations as they become due and meet debt covenant requirements. The museum's ability to continue current operations and execute management's plans is dependent on its ability to generate sufficient cash flows from operations and recognize positive changes in net assets without donor restrictions. As discussed in Note 2, the Exploratorium has \$24,783,804 of financial instruments available for general expenditures and has \$6,500,000 potentially available under its line of credit to support operations.

The Exploratorium reopened to the public in July 2021, but attendance may not return to pre-pandemic levels for some time. The Exploratorium generally recognizes a significant amount of revenues from membership, admissions and store sales, and its ability to earn these revenues is dependent on the Exploratorium opening to the public. Management has taken steps to minimize expenses while the museum is closed to the public, and still generates revenues through contributions; Global Collaborations projects and investment earnings and the board of trustees can also appropriate additional monies from the endowment to cover its expenses. Based on the Exploratorium's current operating plan, management anticipates that, given current working capital levels, current financial projections, and the availability of liquidity noted above, the Exploratorium will be able to meet its obligations as they become due and meet debt covenant requirements. It is unknown how long the adverse conditions associated with the coronavirus will last. The Exploratorium continues to make adjustments to its operations to adapt to the changing environment.

Note 11. Retirement Plan

The Exploratorium has a defined contribution plan that is a qualified plan under Section 403(b) of the Internal Revenue Code. The plan covers employees who have reached the age of 21, completed one year of service and worked at least 975 hours during any plan year. The plan allows for the Exploratorium, as plan sponsor, to make elective matching contributions to the plan.

During the years ended June 30, 2021 and 2020, the Exploratorium contributed \$567,471 and \$1,089,198 to the plan, respectively, and is included in compensation and benefits expense on the statements of functional expenses.

Note 12. Related-Party Transactions

Contributions receivable from members of the Board of Trustees of the Exploratorium or companies or individuals with which the Board of Trustees are affiliated were \$13,178,498 and \$15,271,217 as of June 30, 2021 and 2020, respectively. Recorded contribution revenue from members of the Board of Trustees of the Exploratorium or companies or individuals with which the Board of Trustees are affiliated were \$12,550,523 and \$9,734,707 for the years ended June 30, 2021 and 2020, respectively, are reflected in private contributions on the statements of activities.

Note 13. CARES Act Funding

Paycheck Protection Program: On April 10, 2020, the Exploratorium received loan proceeds in the amount of \$5,875,400 under the Paycheck Protection Program (PPP). The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the up to 24-week period unless the borrower is eligible for a safe harbor.

Exploratorium

Notes to Financial Statements

Note 13. CARES Act Funding (Continued)

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first six months. The Exploratorium has used the proceeds for purposes consistent with the PPP and on June 24, 2021, was notified of forgiveness by the Small Business Administration. The Exploratorium has accounted for this loan as a government grant and initially recorded it as a conditional and restricted contribution with conditions and restrictions being met as proceeds were used for allowable costs. This contribution was recognized in the year ended June 30, 2020.

Shuttered Venue Operators Grant: On June 30, 2021, the Exploratorium was awarded a \$10,000,000 SVOG from the Small Business Administration. The SVOG program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The SVOG grant is considered a federal award and is included on the Exploratorium's Schedule of Federal Expenditures and Awards. The purpose of the program is to provide emergency disaster assistance to venues affected by the COVID-19 pandemic. The program objective is to specifically cover allowable expenses that include payroll expenses and other administrative in nature costs. These costs can be applied retroactively. The Exploratorium has until June 30, 2022, to fully expend this grant. As of June 30, 2021, the Exploratorium has utilized \$5,092,629 of this funding which has been recognized as revenue from government grants on the statement of activities. The remaining unrecognized amount of \$4,907,371 will be recognized in future periods as funds are utilized.

Employee Retention Tax Credit: The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, made a number of changes to the employee retention tax credits previously made available under the CARES Act. As a result of these changes the Exploratorium became eligible to apply for and receive the Employee Retention Credit (ERC), for at least six months through June 30, 2021.

As a result of the new legislation, the Exploratorium could claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees after December 31, 2020 through June 30, 2021. Qualified wages were limited to \$10,000 per employee per calendar quarter in 2021. Thus, the maximum ERC amount available is \$7,000 per employee per calendar quarter, for a total of \$14,000 in 2021. As of June 30, 2021, the Exploratorium claimed \$3,981,063 in employee retention tax credits for the year then ended and this amount is recorded as a contribution on the Exploratorium's statement of activities.

Note 14. Subsequent Events

The Exploratorium evaluated subsequent events through October 14, 2021, the date on which the financial statements were available to be issued.